The Land and Water Fund of the Rockies

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To A.V. for Int. Parties List

March 14, 2002

Jean Jewell, Commission Secretary
Idaho Public Utilities Commission
427 W. Washington St.
Boise, ID 83702-5983

Re: Case No. GNR-E-02-01, Comments of LAW Fund and Idaho Rivers United

Dear Ms. Jewell:

Please accept the following comments for the Commission's review in Case No. GNR-E-02-01. The Land and Water Fund of the Rockies ("LAW Fund") and Idaho Rivers United ("IRU") generally support economic incentives that encourage private investment in clean, renewable forms of energy. However, we are concerned that instatement of expanded eligibility for published avoided cost rates, and longer contract lengths, may spawn another era of hydropower development in Idaho to the detriment of ratepayers, as well as the environment.

Because our over-reliance on hydropower in the Northwest was a major cause of last year's energy crisis, the Commission should not establish policies that encourage more hydropower development. The Commission should, however, encourage investment in other renewable resources such as anaerobic digesters and wind power in order to diversify our portfolio of generation resources. Indeed, we note that in passing PURPA, "Congress' goal was to accomplish greater diversity in the supply of electric power by providing incentives for development of small alternative power and cogeneration resources." Ferrey, *Law of Independent Power* at § 4:1 (WestGroup 2001).

Anaerobic digesters provide firm power, have essentially no variable fuel costs, enhance diversification of generation, and decrease environmental impacts of sewage treatment and confined animal operations. Wind power is clean, low cost, and would certainly diversify our

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portfolio of generation resources. Although wind provides non-firm power, investment in wind energy would be of great value to ratepayers because the winter months provide the greatest wind resource in Idaho, thus coinciding with our high winter peak demand.

Hydropower, on the other hand, generally provides its greatest output during the late spring and early summer, when Idaho and the Northwest typically enjoy a surplus of electric generation. This is particularly true of many run-of-river hydropower projects, which are most likely to be constructed if the Commission provides greater economic certainty to developers. The incremental costs of such power for utilities – and the marginal value of that power to ratepayers – is extremely small, or even negative. In short, the actual "incremental cost" to Northwest utilities of acquiring energy during the prime hydropower season is very low.

The Commission should establish PURPA policies which recognize the seasonal variability of Idaho's generation resources and demand needs – specifically, the surplus of power we generally enjoy in May and June, and the high peak demands of late summer and mid-winter. We believe a fair approach to achieving recognition for such seasonal variability is through approval and publication of seasonally adjusted avoided cost rates.

Federal regulations specifically require these seasonal factors to be taken into account: "In determining avoided costs, the following factors shall, to the extent practicable, be taken into account: . . . (2) The availability of capacity or energy from a qualifying facility during the system daily and seasonal peak periods." 18 C.F.R. § 304(e). Moreover, FERC regulations allow utilities, after proper notice, to refuse to purchase power from qualifying facilities during periods when it would be cheaper for the utility to acquire that power elsewhere due to "operational circumstances." Id. at § 304(f). There may be other creative approaches, however, toward the goal of recognizing seasonal variables in our power system, which would not run afoul of PURPA's prohibition against discriminating between qualifying facilities.

With respect to the specific issues now at stake in this proceeding, the LAW Fund and IRU request the Commission (1) increase the QF size limitation for published rate eligibility to five (5) megawatts[1]; (2) increase contract length for power purchases from such projects to twenty (20) years; and (3) require standardized agreements for interconnections of such projects. We also request that the Commission evaluate a new system for setting avoided cost rates, which would recognize seasonal variability in generation resources and demand in Idaho.

[1] Such size limitation should be sufficient to provide opportunities for anaerobic digester installation for most Idaho dairy or confined animal feeding operations.

We believe the Commission should proceed with caution before establishing policies that might force ratepayers to purchase power that they simply do not need, at prices that are higher than utilities' actual incremental costs. We appreciate the opportunity to submit these comments.

Sincerely,

William M. Eddie
Land and Water Fund of the Rockies

Also on behalf of Idaho Rivers United

cc:
Robert J. Lafferty, Avista Corp.
Gregory N. Duvall, PacifiCorp
Barton Kline, Idaho Power Company